

## Future Temporary Resourcing Service: Financial Appendix

**Option 1: ECC to procure a managed service model. This is one overall procurement which would see ECC outsource the entire provision of temporary resourcing to a third-party organisation.**

This model was used prior to November 2019. The following tables use historical information from financial years 2017/18 and 2018/19 to show the potential cost to ECC if this option were to be chosen. It is clear there were some additional agency requirements in 2018/19 that were slightly skewing the overall cost of temporary workers; However, table 1 shows the average mark-up for these workers, which was 10.30% in 2017/18 and 12.32% in 2018/19. The average mark-up (11.31%) has then been applied to the forecast current year (2020/21) temporary worker activity.

As the current arrangements were introduced mid-way through the 2019/20 financial year, this has been excluded from the analysis.

The costs and supplier charges for these financial years are significantly higher than the costs and supplier charges in the current year, which is the primary reason why this option is not recommended:

**Table 1:**

<b>Financial Year</b>	<b>Sum of Total Pay £'000</b>	<b>Charge to ECC £'000</b>	<b>Average Supplier Mark-up £'000</b>
Financial Year 2017/18	15,682	17,297	10.30%
Financial Year 2018/19	16,620	18,668	12.32%
<b>Average Spend (2017/18 &amp; 2018/19)</b>	<b>16,151</b>	<b>17,983</b>	<b>11.31%</b>
<i>Financial Year 2020/21 (Est.)</i>	13,654	15,198	11.31%

**Option 2: ECC to extend the current arrangements for a further 12-month period, taking the end of the current arrangement to Nov 23<sup>rd</sup>, 2022.**

This option would see Essex County Council continue with the existing arrangements, whereby the organisation outsources temporary recruitment to a 3rd party provider who will act as an intermediary and release requirements to 3rd party recruitment agencies. Where ECC are successful in recruiting temporary workers via internal means, such as online advertisements, the 3<sup>rd</sup>

party, Matrix, provide payroll services for these employees. The typical mark-up for this service is currently between 3.1% and 5% per employee.

Where ECC is unable to recruit temps directly, Matrix distribute this to ECC's chain of recruitment suppliers who then bid to provide the required staff member.

The latter option typically includes a larger charge to ECC: Up to 11% for some agency workers and potentially more for senior members of staff. This year to date, ECC directly hires approximately 70% of its temporary workforce, which is why this option has a greater financial benefit in comparison with the first option.

The tables below show the year-to-date cost of temporary workers and the full year estimated cost to ECC. All existing temporary contracts did not transition over to the current arrangements until February 2020, which is why it is not possible to analyse the costs prior to the 2020/21 financial year.

Although the number and cost of temporary workers have reduced in the current financial year, it is clear from the supplier mark-up that there are cost benefits associated with this model. The average agency mark-up, 9.66%, is still lower than the mark-up in 2017/18 and 2018/19. The major cost reduction is related to direct hires, where the mark-up is significantly lower at 3.38%.

**Table 2: The Current 'As is' full year estimated cost, showing the mark-up and the breakdown of costs between Agency and Direct Hire employees.**

Temp Worker – Source	Sum of Total Pay (Apr – Oct) (£'000)	FY Estimate b/f Mark-Up (£'000)	Supplier Mark-up (Average %)	FY Estimate (£'000)
Agency	3,870	6,635	9.66%	7,276
Direct	4,094	7,019	3.38%	7,256
<b>Grand Total</b>	<b>7,964</b>	<b>13,654</b>	<b>6.43%</b>	<b>14,532</b>

**Recommended Option:** ECC to act as the managed service, directly procuring a supply chain of specialist agencies via DPS and procuring a payroll solution for our temporary workforce. This will mean ECC will have effectively in-housed temporary resourcing.

**Additional Tables for Context:**

**Table 3: The full year expected Savings of the Recommended Option.**

	£'000
Direct Hires Savings	62
Agency Savings	39
<b>Total Savings</b>	<b>101</b>

**Table 4: The savings on the supplier mark-up for Direct Hire Employees.**

	Sum of Total Pay (Apr – Oct) (£'000)	FY Estimate b/f Mark-Up (£'000)	Supplier Mark-up (Average %)	FY Estimate (£'000)
Direct (Option 2: Current Arrangements)	4,094	7,019	3.38%	7,256
Direct (Option 3: ECC to Act as the Managed Service)	4,094	7,019	2.50%	7,194
<b>Savings</b>				<b>62</b>

Table 5 summarises hours worked for all temporary workers between April and October 2020. A 20p per hour savings is assumed for agencies workers as ECC will no longer need to pay this to Matrix:

**Table 5:**

Temporary Worker Type	Hours Worked (Apr-Oct)	Savings (YTD) (£'000)	FY Hours Estimate	FY Savings Est. (£'000)
Agency	122,103	24	192,933	<b>39</b>

In addition to the savings detailed above, the service anticipates that the percentage of direct hire temporary workers will increase, resulting from the

service's investment to directly source temporary employees over the next three years.

The existing percentage split is approximately 70% direct hire and 30% agency staff. The service anticipates that this percentage will increase to 80% direct hire and 20% agency as a result of these attraction costs.

The model assumes the split will be achieved gradually over a three-year period. In year 1, there will be no change to the percentage split as the service will have only begun to spend money on improving ECC's talent pool. By year 2, the model assumes this has been successful and the proportional split will be 75% direct and 25% agency. And by year 3, the split will have moved to 80% direct and 20% agency.

The tables below show the positive financial impact of increasing the percentage of temporary workers that are hired directly. The model assumes the number of temporary workers and their estimated annual cost remains the same in future years:

Temp Worker – Source	% Temporary Workforce Year 1	Total Mark-up Year 1 (£'000)	Savings Year 1 (£'000)
Agency	30%	602	0
Direct	70%	175	0
<b>Grand Total</b>	<b>100%</b>	<b>777</b>	<b>0</b>

Temp Worker – Source	% Temporary Workforce Year 2	Total Mark-up Year 2 (£'000)	Savings Year 2 (£'000)
Agency	25%	502	100
Direct	75%	197	(22)
<b>Grand Total</b>	<b>100%</b>	<b>699</b>	<b>78</b>

Temp Worker – Source	% Temporary Workforce Year 3	Total Mark-up Year 3 (£'000)	Savings Year 3 (£'000)
Agency	20%	401	201
Direct	80%	218	(43)
<b>Grand Total</b>	<b>100%</b>	<b>619</b>	<b>158</b>